

CANYONLANDS HEALTH CARE SPECIAL SERVICE DISTRICT

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2006

CANYONLANDS HEALTH CARE SPECIAL SERVICE DISTRICT
(A COMPONENT UNIT OF GRAND COUNTY)
TABLE OF CONTENTS
FOR THE YEAR ENDED DECEMBER 31, 2006

	<u>PAGE</u>
<u>OPINION</u> Independent Auditors' Report	1-2
<u>MD&A</u> Management Discussion and Analysis	3-9
 <u>BASIC FINANCIAL STATEMENTS</u>	
Government-wide Financial Statements:	
EXHIBIT 1 Statement of Net Assets	10-11
EXHIBIT 2 Statement of Activities	12
Governmental Fund Financial Statements:	
EXHIBIT 3 Balance Sheet - Governmental Funds	13
EXHIBIT 4 Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets	14
EXHIBIT 5 Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	15
EXHIBIT 6 Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances to Governmental Funds to the Statement of Activities	16
Notes to the Financial Statements	17-31
 <u>REQUIRED SUPPLEMENTARY INFORMATION</u>	
EXHIBIT 7 Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - General Fund	32

**CANYONLANDS HEALTH CARE SPECIAL SERVICE DISTRICT
(A COMPONENT UNIT OF GRAND COUNTY)
TABLE OF CONTENTS
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>PAGE</u>
<u>SUPPLEMENTAL STATE COMPLIANCE</u>	
Report on Legal Compliance With Applicable Utah State Laws and Regulations	33-34
<u>REPORTS ACCORDING TO GOVERNMENT AUDITING STANDARDS</u>	
Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	35-36

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Canyonlands Health Care Special Service District
Moab, Utah 84532

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component unit, and each major fund of Canyonlands Health Care Special Service District (a component unit of Grand County) as of December 31, 2006, and for the year then ended, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Canyonlands Health Care Special Service District's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component unit, and each major fund of Canyonlands Health Care Special Service District, as of December 31, 2006, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Governmental Auditing Standards, we have also issued a report dated April 19, 2007, on our consideration of Canyonlands Health Care Special Service District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The Management, Discussion and Analysis, as listed in the financial section of the table of contents, is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

SMUIN, RICH & MARSING

Smuin, Rich & Marsing

Price, Utah

April 19, 2007

**CANYONLANDS HEALTH CARE SPECIAL SERVICE DISTRICT
(A COMPONENT UNIT OF GRAND COUNTY)
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2006**

Our discussion and analysis of Canyonlands Health Care Special Service District's financial performance provides an overview of the District's financial activities for the fiscal year ended December 31, 2006.

FINANCIAL HIGHLIGHTS

- ❖ The District's net assets increased \$101,961 as a result of this year's operations. Net assets of our governmental activities (the only activity that the District has) increased by 3.59 percent.
- ❖ Total expenses of \$478,435 were \$101,961 less than the revenues received of \$580,396 for governmental activities.
- ❖ Mineral lease revenue for the year ended December 31, 2006 was \$289,160. This was an increase of \$60,344 from the year ended December 31, 2005.
- ❖ The General Fund reported a decrease of \$87,858 after transfers and other contributions.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The financial reports; Statement of Net Assets and the Statement of Activities (on pages 10, 11 and 12) provide information about the activities of the District as a whole and present a long-term view of the District's finances. Fund financial statements start on page 13. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the District's operations in more detail than the government-wide statements by providing information about the District's most financially significant funds.

REPORTING THE DISTRICT AS A WHOLE

Our analysis of the District as a whole begins on page 10. The Statement of Net Assets and Statement of Activities report information about the District as a whole and about its activities in a way that helps determine if the District is better or worse off as a result of the year's activities. These statements include all assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting method used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the District's *net assets* and changes in them. Net assets equal the difference between assets and liabilities. This is one way to measure the District's financial position. Increases or decreases in the District's net assets are one indicator of whether the financial position of the District is improving or deteriorating.

In the Statement of Net Assets and the Statement of Activities, the District shows all of the activities in one fund:

Governmental activities—All of the District's basic services are reported here, including the general and administration cost, contributions to other agencies and interest on long-term debt. Charges for services, contributions and Mineral Lease revenues finance most of these activities.

Reporting the District's Most Significant Funds

Our analysis of the District's major funds begins on page 13. The fund financial statements begin on page 13 and provide detailed information about the most significant funds. Some funds are required to be established by State law and by bond covenants. The District established other funds to help it control and manage money for particular purposes (capital projects and debt service payments) or to show that it is meeting legal responsibilities for using mineral lease funds, grants, and other money. The District is operated with governmental funds, which use a different accounting approach.

Governmental *funds*—All of the District's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *financial* assets that can readily be converted to cash. The governmental fund statements provide a detailed *short-term* view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. We describe the relationship or differences between governmental *activities* (reported in the Statement of Net Assets and the Statement of Activities) and governmental *funds* in a reconciliation at the bottom of the fund financial statements.

The District as Trustee

The District does not hold any funds or property in a trustee capacity. Consequently, no trustee information is required to be presented.

Government-wide financial statements

The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to private-sector business. The District's Statement of Net Assets, which increased during the current calendar year, presents information on all of the District's assets and liabilities, with the difference between the two reported as net assets. The Statement of Activities presents information showing how the District's net assets changed during the most recent fiscal year. The government-wide financial statements, not only include the District itself (known as the Primary Government) but also includes a component unit (Moab Valley Healthcare, Inc., dba Allen Memorial Hospital) for which it has been deemed that the District is financially accountable for the entity. Financial information for the component unit is reported separately from the financial information presented for the primary government. The analysis below, focuses on the net assets (Table 1) and changes in net assets (Table 2) of the District's governmental activities.

Government-wide financial statements (Continued)

	Governmental Activities	Governmental Activities
	2005	2006
Current and other assets	\$ 390,622	\$ 460,246
Capital assets	2,669,961	2,579,226
Total assets	\$ 3,060,583	\$ 3,039,472
Current liabilities	\$ 31,913	\$ 95,841
Long-term debt outstanding	187,000	
Total liabilities	\$ 218,913	\$ 95,841
Net assets:		
Invested in capital assets, net of debt	\$ 2,451,198	\$ 2,579,226
Temporarily restricted net assets	297,296	
Unrestricted	93,176	364,405
Total net assets	\$ 2,841,670	\$ 2,943,631

Net Assets of the District's governmental activities increased by 3.59 percent (\$2,943,631 compared to \$2,841,670.) *Unrestricted* net assets—the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements—is \$364,405 at the end of the year. These net assets are used to finance the continuing operations of providing services to the District.

Government-wide financial statements (Continued)

Table 2
Changes in Net Assets

	Governmental Activities	Governmental Activities
	2005	2006
Revenues		
Program Revenues:		
Charges for services	\$ 71,933	\$ 65,304
Capital grants and contributions	101,087	210,827
General Revenues:		
Mineral Lease revenue	228,816	289,160
Investment earnings	8,708	15,105
Total revenues	<u>\$ 410,544</u>	<u>\$ 580,396</u>
Program Expenses		
General government	\$ 244,584	\$ 474,673
Interest on long-term debt	34,316	3,762
Total expenses	<u>\$ 278,900</u>	<u>\$ 478,435</u>
Change in net assets	<u>\$ 131,644</u>	<u>\$ 101,961</u>
Net Assets - beginning	\$ 2,710,026	\$ 2,841,670
Net Assets - ending	<u>2,841,670</u>	<u>2,943,631</u>
	<u>\$ 131,644</u>	<u>\$ 101,961</u>

The District's operational goals for future years is to continue to strive to use the allotted funds in the best interest of the District and those who are served by the District's operations. As revenues increase, the funds will be used to purchase necessary supplies and equipment that are appropriate and deemed beneficial.

Governmental Activities

Revenues, for the District's governmental type activities, increased \$169,852 over the prior year, while total expenses also increased \$199,535 over the prior year. Charges for services decreased \$6,629, Mineral Lease revenue increased \$60,344, grants and contributions increased \$109,740, and Interest revenue increased \$6,397 over the prior year. The largest source of funds for the current year was Mineral Lease revenue. Net assets for governmental activities increased \$101,961 in 2006.

The cost of all governmental activities this year was \$478,435. As shown in the Statement of Activities on page 12, Mineral Lease revenue paid for the majority of these activities, some of the cost was paid by those who directly benefited from the programs, or by other governments and organizations that subsidized certain programs with grants and contributions. Overall, the District's governmental program revenues, including intergovernmental aid and fees for services, increased in 2006 from \$410,544 to \$580,396.

Costs of the District's are all centered within one program—general government. The net cost of expenditures (over) or under specific program revenues shows the financial burden that utilizes the Mineral Lease and other miscellaneous revenues.

GENERAL FUND BUDGETARY HIGHLIGHTS

Over the course of the year, the District revised their budget once. The original budget was adopted on December 29, 2005 and was adjusted on December 21, 2006. The budget was amended to \$524,245 to account for additional transfers to the capital projects fund and additional contributions to other agencies. Some of the differences in the original budget and final amended budget are summarized as follows: 1) an increase in expenditures for Transfers to other funds (\$94,345) and an increase in expenditures of \$66,771 for contributions to other agencies.

The actual charges for expenditures were \$554,102, which was \$83,776 above the final budget amounts. The most significant negative variance (\$95,840) occurred in contributions to other agencies.

Resources for revenues were \$466,244, which was \$58,001 below the final budgeted amount. The most significant negative variance (\$42,025) occurred in Payments from other governments.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of December 31, 2006, the District had \$2,579,226 invested in a broad range of capital assets, including land, buildings, improvements other than buildings, and equipment (see Table 4 below). This amount represents a net decrease (including additions and deletions) of \$90,735, or a 3.40 percent decrease over the previous year.

CAPITAL ASSET AND DEBT ADMINISTRATION (Continued)

Table 4
Capital Assets at Year-End
(Net of Depreciation)
December 31, 2006

	Governmental Activities	Governmental Activities
	2005	2006
Land	\$ 844,761	\$ 844,761
Buildings	1,514,488	1,462,419
Improvements other than buildings	61,991	58,574
Equipment	248,721	213,472
Total assets activities	<u>\$ 2,669,961</u>	<u>\$ 2,579,226</u>

This year the additions included the purchase of seven Stryker Secure II beds. More detailed information about the District's capital assets is presented in Note 4 to the financial statements.

Long-term debt

As of December 31, 2006, the District had no debt outstanding. The following table (table 5) shows the change in outstanding debt.

Table 5
Outstanding Debt as of
December 31, 2006

	Governmental Activities	Governmental Activities
	2005	2006
Revenue bonds payable	\$ 215,000	
Total debt	<u>\$ 215,000</u>	<u>\$...</u>

ECONOMIC FORECAST AND FUTURE BUDGET

The District is anticipating being involved in the plans, consulting and final approval of the construction of a new hospital facility. However, the District's primary focus for the upcoming years will be the planning and construction of a nursing home and assisted living facilities. The District would like to work closely with the planners of the hospital facility to ensure that a functional, cost effective and aesthetically pleasing health care campus is created. The District understands that their function and authority is to primarily help provide public health care facilities for those who reside within the Canyonlands Health Care Special Service District's service area. The District will continue to monitor the operations of the Hospital and take the necessary measures to ensure that an operational facility is available.

The health care needs of aging residents within the District's area are of primary concern to the District when establishing the future budgets. While the District is anticipating future funds from Mineral Lease revenue, the District realizes that these funds could increase or decrease each year and that the ability of the District to provide funds for future purchases relies heavily on the amounts received from these funds.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our community with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District's Treasurer at 245 West Williams Way, Moab, Utah 84532.

**CANYONLANDS HEALTH CARE SPECIAL SERVICE DISTRICT
(A COMPONENT UNIT OF GRAND COUNTY)**

STATEMENT OF NET ASSETS

DECEMBER 31, 2006

	<u>GOVERNMENTAL ACTIVITIES</u>	<u>COMPONENT UNIT</u>
<u>ASSETS</u>		
Current assets:		
Cash and cash equivalents	\$ 43,735	\$ 64,844
Investments, at cost	314,750	
Restricted:		
Cash in scholarship, building and designated		314,463
Receivables:		
Rent receivable	101,761	
Patient accounts receivable, net of allowance		3,835,517
Current portion of promises to give		10,150
Inventory		299,330
Total current assets	<u>\$ 460,246</u>	<u>\$ 4,524,304</u>
Noncurrent assets:		
Capital assets (net of accumulated depreciation):		
Land	\$ 844,761	\$ 500,000
Depreciable buildings, property, and equipment, net	1,734,465	1,384,744
Total noncurrent assets	<u>\$ 2,579,226</u>	<u>\$ 1,884,744</u>
Total assets	<u><u>\$ 3,039,472</u></u>	<u><u>\$ 6,409,048</u></u>

"The accompanying notes are an integral part of this statement."

CANYONLANDS HEALTH CARE SPECIAL SERVICE DISTRICT
(A COMPONENT UNIT OF GRAND COUNTY)
STATEMENT OF NET ASSETS
DECEMBER 31, 2006

	<u>GOVERNMENTAL ACTIVITIES</u>	<u>COMPONENT UNIT</u>
<u>LIABILITIES AND NET ASSETS</u>		
LIABILITIES:		
Current liabilities:		
Accounts payable and accrued expenses	\$ 95,841	\$ 1,903,404
Accounts receivable with credit balances		226,185
Estimated third-party payor settlement		103,572
Current portion of long-term obligations		548,223
Total current liabilities	\$ 95,841	\$ 2,781,384
Noncurrent liabilities:		
Noncurrent portion of long-term obligations		\$ 624,228
Total noncurrent liabilities	\$. . .	\$ 624,228
Total liabilities	\$ 95,841	\$ 3,405,612
NET ASSETS:		
Invested in capital assets, net of related debt	\$ 2,579,226	\$ 962,293
Temporarily restricted net assets		10,150
Unrestricted	364,405	2,030,993
Total net assets	\$ 2,943,631	\$ 3,003,436
Total liabilities and net assets	\$ 3,039,472	\$ 6,409,048

"The accompanying notes are an integral part of this statement."

CANYONLANDS HEALTH CARE SPECIAL SERVICE DISTRICT
(A COMPONENT UNIT OF GRAND COUNTY)
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2006

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets	
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Component Unit
Primary Government					
Governmental activities:					
General government	\$ 474,673	\$ 65,304	\$ 210,827	\$ (198,542)	
Interest on long-term debt	3,762			(3,762)	
Total governmental activities	<u>\$ 478,435</u>	<u>\$ 65,304</u>	<u>\$ 210,827</u>	<u>\$ (202,304)</u>	
Component Unit					
Moab Valley Health Care	<u>\$ 13,937,634</u>	<u>\$ 14,210,792</u>	<u>\$...</u>	<u>\$...</u>	<u>\$ 273,158</u>
General Revenues:					
Mineral lease allocation				\$ 289,160	
Investment earnings				15,105	\$ 12,889
Total general revenues, special items, and transfers				<u>\$ 304,265</u>	<u>\$ 12,889</u>
Change in net assets				\$ 101,961	\$ 286,047
Net assets - beginning				2,841,670	2,717,389
Net assets - ending				<u>\$ 2,943,631</u>	<u>\$ 3,003,436</u>

"The accompanying notes are an integral part of this statement."

**CANYONLANDS HEALTH CARE SPECIAL SERVICE DISTRICT
(A COMPONENT UNIT OF GRAND COUNTY)**

**BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2006**

	PRIMARY GOVERNMENT				COMPONENT UNIT
	GENERAL	CAPITAL PROJECT	DEBT SERVICE	TOTALS	
<u>ASSETS</u>					
Cash and cash equivalents	\$ 26,936	\$ 25,486	\$ (8,687)	\$ 43,735	\$ 64,844
Investments, at cost	18,902	252,514	43,334	314,750	
Restricted assets:					
Cash in scholarship, building, promises and designation					314,463
Patient accounts receivable, net of allowance for adjustments and doubtful accounts of \$1,851,797					3,835,517
Promises to give					10,150
Inventory					299,330
Rent receivable	56,137		45,624	101,761	
Due from other funds		61,918		61,918	
Total assets	\$ 101,975	\$ 339,918	\$ 80,271	\$ 522,164	\$ 4,524,304
<u>LIABILITIES AND FUND EQUITY</u>					
LIABILITIES:					
Accounts payable and accrued expenses	\$ 95,841			\$ 95,841	\$ 1,903,404
Due to other funds	816		\$ 61,102	61,918	
Accounts receivable with credit balances					226,185
Estimated third-party payor settlement					103,572
Total liabilities	\$ 96,657	\$...	\$ 61,102	\$ 157,759	\$ 2,233,161
FUND BALANCES:					
Retained earnings					\$ 2,291,143
Fund balance -					
Reserved		\$ 339,918		\$ 339,918	
Unreserved	\$ 5,318		\$ 19,169	24,487	
Total fund balances	\$ 5,318	\$ 339,918	\$ 19,169	\$ 364,405	\$ 2,291,143
Total liabilities and fund balances	\$ 101,975	\$ 339,918	\$ 80,271	\$ 522,164	\$ 4,524,304

"The accompanying notes to the financial statements are an integral part of this statement."

CANYONLANDS HEALTH CARE SPECIAL SERVICE DISTRICT
(A COMPONENT UNIT OF GRAND COUNTY)
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
DECEMBER 31, 2006

Total fund balances - governmental fund types: \$ 364,405

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and, therefore are not reported in the funds.

Land	\$	844,761	
Buildings & improvements		1,462,419	
Improvements other than buildings		58,574	
Equipment		213,472	
		2,579,226	

Net assets of governmental activities \$ 2,943,631

"The accompanying notes are an integral part of this statement."

CANYONLANDS HEALTH CARE SPECIAL SERVICE DISTRICT
(A COMPONENT UNIT OF GRAND COUNTY)
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2006

	GENERAL	CAPITAL PROJECTS	DEBT SERVICE	TOTAL GOVERNMENTAL FUND DECEMBER 31, 2006
REVENUES:				
Intergovernmental	\$ 289,160			\$ 289,160
Rental income	19,680		\$ 45,624	65,304
Interest revenue	577	\$ 7,428	7,100	15,105
Payments from other governments	156,827	54,000		210,827
Total revenues	\$ 466,244	\$ 61,428	\$ 52,724	\$ 580,396
EXPENDITURES:				
Current -				
General government	\$ 11,685			\$ 11,685
Capital outlay		\$ 134,642		134,642
Debt service -				
Principal retirement			\$ 215,000	215,000
Interest on long term debt			7,525	7,525
Total expenditures	\$ 11,685	\$ 134,642	\$ 222,525	\$ 368,852
Excess of revenue over (under) expenditures	\$ 454,559	\$ (73,214)	\$ (169,801)	\$ 211,544
OTHER FINANCING SOURCES (USES):				
Contributions to other agencies	\$ (237,611)			\$ (237,611)
Transfer from other funds		\$ 281,126	\$ 23,680	304,806
Transfer to other funds	(304,806)			(304,806)
Total other financing sources (uses)	\$ (542,417)	\$ 281,126	\$ 23,680	\$ (237,611)
Excess of revenues and other sources over (under) expenditures and other uses	\$ (87,858)	\$ 207,912	\$ (146,121)	\$ (26,067)
FUND BALANCE, January 1,	93,176	132,006	165,290	390,472
FUND BALANCE, December 31,	\$ 5,318	\$ 339,918	\$ 19,169	\$ 364,405

"The accompanying notes are an integral part of this statement."

**CANYONLANDS HEALTH CARE SPECIAL SERVICE DISTRICT
(A COMPONENT UNIT OF GRAND COUNTY)
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES TO
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2006**

Net changes in fund balances - total governmental funds	\$	(26,067)
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation (\$129,374) exceeded capital outlays (\$38,639) in the current period.		(90,735)
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The issuance of long-term debt (e.g., bonds and notes payable) provides current financial resources to governmental funds, while the repayment of the principal and interest of long-term debt consumes the current financial resources of governmental funds. In the Statement of Activity, principal payments on bonds and notes payable are not recorded and interest expense is recognized as it accrues, regardless of when it is due. The net effect of these differences in the treatment of general obligation bonds and related items is as follows:

Repayment of bond principal	\$ 215,000	
Interest expense - general obligation bonds	3,763	218,763

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Change in net assets of governmental activities	\$	101,961
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"The accompanying notes are an integral part of this statement."

**CANYONLANDS HEALTH CARE SPECIAL SERVICE DISTRICT
(A COMPONENT UNIT OF GRAND COUNTY)
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006**

1. HISTORY AND ORGANIZATION

Canyonlands Health Care Special Service District (formerly the Grand County Hospital Service District, and referred to as the District hereafter) was organized under the State of Utah's Statute for Special Service District, section 17, by the governing authority of the County Council, upon its own motion, for the benefit of the public health, convenience, and necessity of providing health care services. The County Council appoints the governing board of the District. The District is a component unit of Grand County.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United State of America (GAAP) as applied to local governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies of the District are described below.

In June 1999, the Governmental Accounting Standards Board (GASB) unanimously approved Statement No. 34, Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments. Certain significant changes in the Statement include the following:

- 1) A Management's Discussion and Analysis (MD&A) providing an analysis of the District's overall financial position and results of operations.

Financial statements prepared using full-accrual accounting for all of the District's activities.

- 2) A change in the fund financial statements to focus on the major funds.

This and other changes are reflected in the accompanying financial statements (including notes to financial statements).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Reporting Entity

All financial activities over which the District has financial responsibility are included in this report. The basis for inclusion or exclusion of other entities in the District's financial statements was based on the criteria set forth in the Governmental Accounting Standards Board (GASB) pronouncements. The basic criteria for including an entity, a board, or an agency in this report is the existence and exercise of financial accountability; consideration has been given to financial interdependency, ability to designate management, ability to significantly influence operations, and accountability for fiscal matters. According to the above criteria, the District is considered a "Component Unit" of Grand County, and has been included in the County's financial statements, which can be obtained from the County's administrative office in Moab, Utah.

As required by generally accepted accounting principles, these financial statements present the District (the primary government) and its component unit. Moab Valley Healthcare, Inc. dba Allen Memorial Hospital, the component unit, is included in the District's reporting entity because of the significance of its operational or financial relationship with the District. Allen Memorial Hospital (Hospital) provides healthcare services for the Grand County geographical area. The District provides the equipment and facility necessary for the Hospital to complete its services. The Hospital is considered a component unit of the District because it would be misleading to exclude the Hospital's information from the District's, for the two entities have common board members, and if the Hospital ceased to exist, the District would regain possession of the Hospital's assets and liabilities. Complete financial statements of the discrete component unit, which issues separate financial statements, are located at its administrative office in Moab, Utah.

B. Government-Wide Financial Statements

Generally accepted accounting principles (GAAP) require that state and local governments provide a government-wide statement of net assets and a government-wide statement of activities. These government-wide financial statements are required to be presented using the economic resources measurement focus and the accrual basis of accounting, the same measurement focus and basis of accounting employed by private-sector business enterprises and not-for-profit organizations.

The statement of activities demonstrates the degree to which the direct expense of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customer who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function.

The statement of net assets is the basic government-wide statement of position that presents all of the District's permanent accounts (assets, liabilities, and net assets).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

Primary Government

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Taxes and all other intergovernmental revenues are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to claims and judgments, are recorded only when payment is due.

The government reports the following major governmental funds:

General Fund - The General Fund is the District's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Debt Service Fund - The Debt Service Fund accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

Capital Projects Fund - The Capital Projects Fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first then unrestricted resources, as they are needed.

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

C. **Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Cont'd.)**

Component Unit

The Hospital is a not-for-profit organization that uses the accrual basis of accounting. The Hospital's financial statements have been prepared in accordance with generally accepted accounting principles and with the accounting principles set forth in the Hospital Audit Guide, for not-for-profit entities, issued by the committee on Health Care Institutions of the American Institute of Certified Public Accountants.

D. **Capital Assets**

Primary Government

Capital assets, which include, land, buildings, improvements, and machinery and equipment are reported in the government-wide financial statements. The District defines capital assets as assets with an initial individual cost of \$5,000 or more and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of the District is not included as part of the capitalized value of the assets constructed.

Buildings, improvements, machinery and equipment of the District are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	10 – 40
Improvements	10 – 30
Machinery and Equipment	5 – 10

Component Unit

The Hospital computes depreciation by using the straight-line method, which allocates the cost evenly over the estimated useful life of the assets. It is the Hospital's policy to capitalize equipment purchases in excess of \$5,000.

E. **Budgeting**

The system of budgeting used by the District complies primarily with the procedures outlined in the "State of Utah Uniform Accounting Manual for Special Districts," which is in accordance with generally accepted accounting principles. Budgets are presented on the modified accrual basis of accounting for all governmental funds. All annual appropriations lapse at year-end.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgeting (Continued)

The District follows the budgetary practices and procedures required by State law. These requirements are summarized as follows:

1. A formal budget is adopted for all funds that require a budget.
2. The budget is a complete financial plan that identifies all estimated revenues and all appropriations for expenditures for the year. The budget must balance – that is estimated revenues and expenditures must equal.
3. On or before November 1, the District Manager prepares a tentative budget and files it with the Board of Trustees.
4. The tentative budget is a public record and is available for public inspection for at least ten days prior to public hearings held to consider adoption of the budget.
5. Notice of the scheduled public hearings is published at least seven days prior to the meetings.
6. Public hearings are held on the tentatively adopted budget. Members of the public may comment on the budget and recommend changes to the Board of Directors.
7. The Board of Directors considers the comments made by the public and makes final adjustments to the budget.
8. By December 15th, the Board of Directors adopts the budget by resolution. A copy of the budget is certified by the County Auditor and is filed with the State Auditor within thirty days of adoption. A certified copy of the budget is available for public inspection.
9. The budget may be amended to reflect changes in circumstances, which occur during the year. Budgets may be increased by the resolution of the Board at any time during the year, provided a public hearing has been held regarding any proposed increase.
10. Under the Code, the District's budget establishes maximum legal authorization for expenditures during the fiscal year. Expenditures are not to exceed the budget amounts, including revisions, except as allowed by the Code for certain events.

F. Cash and Cash Equivalents

Primary Government

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition, including investments in the Public Treasurers' Investment Fund (PTIF).

Component Unit

For purposes of the statement of cash flows, the Hospital considers all highly liquid investments (including restricted assets) with an original maturity of three months or less to be cash equivalent. Amounts reported on the balance sheet as cash and investments are considered to be cash equivalents.

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

G. **Inventory**

Component Unit

The Hospital's inventory is valued at the lower of cost or market. Cost is determined by the first-in, first-out method.

H. **Receivables**

Component Unit

The Hospital has receivables from its patients, substantially all of whom are residents from the area served by the Hospital. An allowance for uncollectible accounts and third party payer adjustments is established by charges to operations from amounts required to maintain an adequate allowance, as determined by management, to cover these anticipated losses and adjustments. Individual accounts receivable are charged to the allowance when collection appears doubtful. At such time, the accounts are referred to collection agencies. Adjustments for third party payers are charged to operations in the period payments are received. Provisions for doubtful accounts are shown separately from contractual revenue adjustments, which are netted against patient service revenues.

I. **Net Patient Service Revenue**

Component Unit

The Hospital's has agreements with third-party payers that provide for payments to the Hospital at amounts different from its established rates. Payment arrangements include prospectively determined rates per discharge, reimbursed costs, discounted charges, and per diem payments. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payers, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third party payers. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods, as final settlements are determined.

J. **Income Taxes**

Component Unit

The Hospital is operated as a not-for-profit corporation exempt from federal and state income taxes under section 501(c)(3) of the Internal Revenue Code.

K. **Long-Term Obligations**

Primary Government

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities fund type statement of net assets.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. Fund Equity

Primary Government

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

M. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting policies requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

N. Promises to Give

Component Unit

Contributions are recognized when the donor makes a promise to give to the Hospital that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

3. DEPOSITS AND INVESTMENTS

Primary Government

Deposits

The District maintains no investment policy containing any specific provisions intended to limit the District's exposure to interest rate risk, credit risk, and concentration of credit risk other than that imposed by the Utah Money Management Act (Utah Code, Section 51, Chapter 7).

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a formal deposit policy for custodial credit risk. At December 31, 2006, the District's bank balance of cash on deposit was \$51,662 of this amount all was insured.

3. DEPOSITS AND INVESTMENTS (Continued)

Investments

The Money Management Act defines the types of securities authorized as appropriate investments for the District and the conditions for making investment transactions. Investment transactions may be conducted only through qualified depositories, certified dealers, or directly with issuers of the investment securities.

Statutes authorize the District to invest in negotiable or nonnegotiable deposits of qualified depositories and permitted negotiable depositories; repurchase and reverse repurchase agreements; commercial paper that is classified as "first tier" by two nationally recognized statistical rating organizations, one of which must be Moody's Investors Services or Standard & Poor's; bankers' acceptances; obligations of the United States Treasury including bills, notes, and bonds; bonds, notes, and other evidence of indebtedness of political subdivisions of the State; fixed rate corporate obligations and variable rate securities rated "A" or higher, or the equivalent of "A" or higher, by two nationally recognized statistical rating organizations; shares or certificates in a money market mutual fund as defined in the Act; and the Utah State Public Treasurer's Investment Fund.

The Utah State Treasurer's Office operates the Public Treasurer's Investment Fund (PTIF). The PTIF is available for investment of funds administered by any Utah public treasurer. The PTIF is not registered with the SEC as an investment company. The PTIF is authorized and regulated by the Money Management Act, Section 51-7, and Utah Code Annotated, 1953, as amended. The Act established the Money Management Council, which oversees the activities of the State Treasurer and the PTIF and details the types of authorized investments. Deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah, and participants share proportionally in any realized gains or losses on investments.

The PTIF operates and reports to participants on an amortized cost basis. The income, gains, and losses – net of administration fees, of the PTIF are allocated based upon the participant's average daily balance. The fair value of the PTIF investment pool is approximately equal to the value of the pool shares.

As of December 31, 2006, the District had the following investments and maturities:

Investment Type	Fair Value	Investment Maturities (in Years)			
		Less Than 1	1-5	6-10	More than 10
State of Utah Public Treasurer's Investment Fund	\$ 307,183	\$ 307,183			
Total Investments	\$ 307,183	\$ 307,183	\$...	\$...	\$...

3. DEPOSITS AND INVESTMENTS (Continued)

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District manages this risk in part by investing in the Utah Public Treasurers Investment Fund. The District also manages its exposure to fair value loss arising from increasing interest rates is to comply with the State's Money Management Act. Section 51-7-11 of the Act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested. The Act further limits the remaining term to maturity on all investments in commercial paper, bankers' acceptance, fixed rate negotiable deposits, and fixed rate corporate obligations to 270-365 days or less. In addition, variable rate negotiable deposits and variable rate securities may not have a remaining term to final maturity exceeding 2 years.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The District has not adopted a formal policy with regards to credit risk on investments but the District informally follows the policy for reducing its exposure to credit risk is to comply with the State's Money Management Act as previously discussed.

At December 31, 2006, the District had the following investments and quality ratings:

<u>Investment Type</u>	<u>Fair Value</u>	<u>AAA</u>	<u>AA</u>	<u>A</u>	<u>Unrated</u>
State of Utah Public Treasurer's Investment Fund	\$ 307,183				\$ 307,183
Total	<u>\$ 307,183</u>	<u>\$...</u>	<u>\$...</u>	<u>\$...</u>	<u>\$ 307,183</u>

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The District informal policy for reducing this risk of loss is to comply with the Rules of the Money Management Council. No more than 5% of all funds may be invested in securities of a corporation that has been in continuous operation for less than three years. No more than 5% of the outstanding voting securities of any one corporation may be held. In addition, Rule 2 limits investment concentrations in certain types of investments. Rule 17 of the Money Management Council limits investments in a single issuer of commercial paper and corporate obligations to 5-10% depending upon the total dollar amount held in the portfolio.

3. DEPOSITS AND INVESTMENTS (Continued)

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District does not have a formal policy for custodial credit risk. As of December 31, 2006, the District had \$307,183 invested in the Public Treasurer's Investment Fund and was held by them.

The District maintains a cash and investment pool that is available for use by all funds. Each fund type's portion of this pool is displayed on the combined balance sheet as cash and investments. Income from the investment of the pooled cash is allocated based on each fund's portion of the pool. In addition, cash is separately held by some funds.

Component Unit

Deposits

The carrying amount of the Hospital's deposits with financial institutions at December 31, 2006 was \$368,702. Of the carrying amount of deposits, \$130,379 was not covered by Federal Depository Insurance. Petty cash was \$605 at December 31, 2006.

4. CAPITAL ASSETS

Primary Government

Capital asset activity for the year ended December 31, 2006 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	<u>\$ 844,761</u>	<u></u>	<u></u>	<u>\$ 844,761</u>
Total capital assets not being depreciated	<u>\$ 844,761</u>	<u>\$...</u>	<u>\$...</u>	<u>\$ 844,761</u>
Capital assets being depreciated:				
Buildings	<u>\$ 2,684,601</u>			<u>\$ 2,684,601</u>
Improvements other than buildings	<u>102,840</u>			<u>102,840</u>
Machinery and equipment	<u>1,162,342</u>	<u>\$ 38,639</u>	<u>\$ (2,328)</u>	<u>1,198,653</u>
Total capital assets being depreciated	<u>\$ 3,949,783</u>	<u>\$ 38,639</u>	<u>\$ (2,328)</u>	<u>\$ 3,986,094</u>

4. **CAPITAL ASSETS (Continued)**

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Less accumulated depreciation for:				
Buildings	\$ 1,170,113	\$ 52,068		\$ 1,222,181
Machinery and equipment	913,621	73,888	\$ (2,328)	985,181
Improvements other than buildings	40,849	3,418		44,267
Total accumulated depreciation	<u>\$ 2,124,583</u>	<u>\$ 129,374</u>	<u>\$ (2,328)</u>	<u>\$ 2,251,629</u>
Total capital assets being depreciated, net	<u>\$ 1,825,200</u>	<u>\$ (90,735)</u>	<u>\$...</u>	<u>\$ 1,734,465</u>
Governmental activities capital assets, net	<u>\$ 2,669,961</u>	<u>\$ (90,735)</u>	<u>\$...</u>	<u>\$ 2,579,226</u>

Depreciation expense was charged to governmental functions as follows:

Governmental Activities:	
General government	<u>\$ 129,374</u>
Total depreciation expense - governmental activities	<u>\$ 129,374</u>

4. **CAPITAL ASSETS (Continued)**

Component Unit

Changes in fixed assets, accumulated depreciation and amortization is shown below:

	Balance 12-31-05	Additions	Adjustments and Retirements	Balance 12-31-06
Land	\$ 500,000			\$ 500,000
Improvements other than buildings	97,612			97,612
Equipment	1,801,297	\$ 129,760		1,931,057
Transportation equipment	38,999			38,999
Furniture and Fixtures	58,279			58,279
Construction in progress	598,310	27,671		625,981
	<u>\$ 3,094,497</u>	<u>\$ 157,431</u>	<u>\$...</u>	<u>\$ 3,251,928</u>
Accumulated depreciation and amortization	<u>\$ 1,166,421</u>	<u>\$ 200,763</u>	<u>\$...</u>	<u>\$ 1,367,184</u>

5. **PENSION PLAN**

Primary Government

The District does not participate in a pension plan.

Component Unit

The Hospital has established a tax-deferred annuity or 403(b) retirement plan. The plan is funded exclusively through the purchase of annuity contracts. To participate in the plan, Hospital employees must: complete three months of service at the Hospital; be over 18 years of age; work more than 1,000 hours per year; and be employed at the Hospital on the last day of the Plan year, December 31. The amount contributed by the Hospital is allocated pro rata to all eligible plan participants. The Hospital has discretion as to the amount it contributes to the plan each year. During the year ended December 31, 2006, the Hospital contributed \$185,721 to the plan.

6. **CAPITAL LEASE COMMITMENTS**

Component Unit

The following is a schedule, by year, of future minimum lease payments under capital lease together with the present value of the minimum lease payments:

Year Ending
December 31,

2007	\$ 169,312
2008	80,228
2009	73,131
2010	<u>48,754</u>
Total minimum lease payments	\$ 371,425
Amount representing interest	<u>(57,177)</u>
Present value of minimum lease payments	\$ 314,248
Amount due within one year	<u>(135,315)</u>
Amount due after one year	<u><u>\$ 178,933</u></u>

The leased equipment is collateral for the capital leases.

7. **OPERATING LEASE COMMITMENTS**

Component Unit

The Hospital entered into an operating lease with Abbott Laboratories. The Hospital is required to purchase reagent supplies from Abbott Laboratories, for use with the equipment provided by the supplier. No annual minimum payment is required under this lease. The amount of annual expenditures will vary based on the number of tests performed. It is estimated that the Hospital spent \$155,487 on reagent supplies in 2006.

The Hospital entered into an operating lease agreement with the District on November 30, 1995. Under the lease agreement, net operating assets of the District of \$438,518 were transferred to the Hospital as a contribution of working capital. The Hospital began leasing plant and equipment from the District effective January 1, 1996 for a period of five years, with unlimited renewal options. The lease was renewed for four additional years in January 2007. As part of the agreement, the District represents that it will use its best efforts to secure and assist Grand County to secure donations, gifts and grants, the proceeds of which will be used to finance the acquisition of equipment and improvements for the Hospital.

7. **OPERATING LEASE COMMITMENTS (Continued)**

Component Unit (continued)

The lease agreement requires that a yearly payment equal to the sum of 0.25% of gross revenues to be due on May 1 of each year. For the year ended December 31, 2006 the Hospital owed the District \$48,109 based on revenues for the year 2006.

The terms of the lease also include an annual payment of \$120. In addition, the lease payment shall include the amount necessary to service the District's long-term debt at December 31, 1995. The Hospital's lease expense to the District for 2006 was \$48,282.

8. **NOTES AND BONDS PAYABLE**

Component Unit

The Hospital received \$950,000 from a financial institution, to be used to finance operations. The interest rate is 9.6% payable in monthly installments of \$15,571, including interest, due in November 2007. The note is collateralized by certain property owned by the Hospital.

The Hospital received funds from a related party, payable in monthly installments. The interest rate is 5.0% with payments ranging from \$3,000 to \$4,500, due December 2009. The note is uncollateralized.

The Hospital received \$250,000 from a financial institution, to be used for the purchase of land. The interest rate is 5.1% payable in quarterly interest-only payments with the full amount of principal due June 2005. The note is collateralized, by underlying real property.

The Hospital entered into a \$100,000 credit line agreement with a financial institution with an interest rate of 5.1% payable with full amount of principal due April 2007, collateralized by the Hospital's deposits.

The Hospital received \$150,000 from a financial institution, at a interest rate of 10.25% payable in monthly installments of \$9,039 including interest, due November 2008, collateralized by accounts receivable accounts.

Capital lease obligations of \$506,350 at varying rates of inputted interest from 5.2 percent to 13.8 percent collateralized by leased equipment, due from January 2007 through January 2010.

9. **CHANGES IN LONG-TERM DEBT**

Component Unit – Long-term debt consists of the following at December 31, 2006:

Long-term debt	\$ 1,172,451
Less: current portion	<u>(548,223)</u>
Long-term debt	<u>\$ 624,228</u>

10. **ECONOMIC DEPENDENCY**

Primary Government

The District is economically dependent upon the State of Utah and Grand County for mineral lease monies received to cover operating expenses and fixed asset acquisitions. Also, the District is economically dependent on the Hospital for lease revenues to pay for the debt service of the District.

11. **DONATED SERVICES**

Component Unit

Volunteers donate their time to the Hospital performing non-essential services. No amounts have been reported in the financial statements for these services.

12. **CONCENTRATIONS OF CREDIT RISK**

Component Unit

The Hospital grants credit without collateral to its patients, most of who are local residents and are insured under third-party payer agreements. The mix of receivables from patients and third-party payers at December 31, 2006 was as follows:

Medicare	21%
Medicaid	7%
Other third-party payers	20%
Patients	41%
Accounts with collection agencies	11%
	<hr/>
	100%
	<hr/>

**CANYONLANDS HEALTH CARE SPECIAL SERVICE DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>BUDGET AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE</u>
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>AMOUNTS</u>	<u>WITH FINAL BUDGET FAVORABLE (UNFAVORABLE)</u>
REVENUES:				
Mineral lease revenue	\$ 200,000	\$ 301,126	\$ 289,160	\$ (11,966)
Rent income	29,600	23,680	19,680	(4,000)
Interest income	200	587	577	(10)
Payments from other governments	76,920	198,852	156,827	(42,025)
Total revenues	<u>\$ 306,720</u>	<u>\$ 524,245</u>	<u>\$ 466,244</u>	<u>\$ (58,001)</u>
EXPENDITURES:				
Current:				
General government				
Contract labor	\$ 1,120	\$ 1,350	\$ 1,478	\$ (128)
Travel			276	(276)
Office rental	1,200	1,200	1,200	
Telephone	920	462	462	
Office supplies	500	369	729	(360)
Insurance	2,900	2,511	2,161	350
Dues/Subscriptions/Advertising	2,000	960	1,154	(194)
Legal/Accounting	5,000	4,225	4,225	
Total expenditures	<u>\$ 13,640</u>	<u>\$ 11,077</u>	<u>\$ 11,685</u>	<u>\$ (608)</u>
Excess of revenues over (under) expenditures	<u>\$ 293,080</u>	<u>\$ 513,168</u>	<u>\$ 454,559</u>	<u>\$ (58,609)</u>
OTHER FINANCING SOURCES (USES):				
Contributions to other agencies	\$ (75,000)	\$ (141,771)	\$ (237,611)	\$ (95,840)
Transfer to other funds	(222,525)	(316,870)	(304,806)	12,064
Total other financing sources (uses)	<u>\$ (297,525)</u>	<u>\$ (458,641)</u>	<u>\$ (542,417)</u>	<u>\$ (83,776)</u>
Excess of revenues and other sources over (under) expenditures and other uses	<u>\$ (4,445)</u>	<u>\$ 54,527</u>	<u>\$ (87,858)</u>	<u>\$ (142,385)</u>
Fund balances - beginning of year	93,176	93,176	93,176	
Fund balances - end of year	<u>\$ 88,731</u>	<u>\$ 147,703</u>	<u>\$ 5,318</u>	<u>\$ (142,385)</u>

"The accompanying notes are an integral part of this statement."

SMUIN, RICH & MARSING

CERTIFIED PUBLIC ACCOUNTANTS

294 East 100 South

Price, Utah 84501

Phone (435) 637-1203 • FAX (435) 637-8708

CRAIG G. SMUIN, C.P.A.
R. KIRT RICH, C.P.A.
GREG MARSING, C.P.A.
DOUGLAS RASMUSSEN, C.P.A.

MEMBERS

AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS
UTAH ASSOCIATION OF CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors
Canyonlands Health Care Special Service District
Moab, Utah 84532

Re: Report on Legal Compliance with Applicable
Utah State Laws and Regulations

Ladies/Gentlemen:

We have audited the financial statements of the governmental activities, the aggregate discretely presented component unit, and each major fund of Canyonlands Health Care Special Service District, for the year ended December 31, 2006, and have issued our report thereon dated March 31, 2007. As part of our audit, we have audited the District's compliance with the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; and special tests and provision applicable to each of its major State assistance programs as required by the State of Utah Legal Compliance Audit Guide for the year ended December 31, 2006. The District received the following major State assistance program from the State of Utah:

Mineral Lease revenue (Department of Transportation)

The District did not receive any nonmajor grants during the year ended December 31, 2006.

Our audit included testwork on the District's compliance with the following general compliance requirements identified in the State of Utah Legal Compliance Audit Guide, including:

Public Debt	Budgetary Compliance
Cash Management	Purchasing Requirements
Other Compliance Requirements	Special Districts

The management of Canyonlands Health Care Special Service District is responsible for the District's compliance with all compliance requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

The results of our audit procedures disclosed immaterial instance of noncompliance with the requirements referred to above, which are described in the accompanying management letter. We considered these instances of noncompliance in forming our opinion on compliance, which is expressed in the following paragraph.

In our opinion, Canyonlands Health Care Special Service District, complied, in all material respects, with the general compliance requirements identified above and the requirements governing types of services allowed or unallowed; eligibility; match, level of effort, or earmarking; reporting; and special tests and provisions that are applicable to each of its major State assistance programs for the year ended December 31, 2006.

SMUIN, RICH & MARSING



Price, Utah

April 19, 2007

SMUIN, RICH & MARSING

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MEMBERS
AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS
UTAH ASSOCIATION OF CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors
Canyonlands Health Care Special Service District
Moab, Utah 84532

RE: Report on Compliance and on Internal
Control Over Financial Reporting Based on
an Audit of Financial Statements Performed
in Accordance With Government Auditing
Standards

We have audited the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Canyonlands Health Care Special Service District, as of and for the year ended December 31, 2006, and have issued our report thereon dated April 19, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the District's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

We noted no matters involving the internal control over financial reporting and its operation that we considered to be material weaknesses.

This report is intended solely for the information and use of the operating committee, management, others within the organization, board of directors, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

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Board of Directors
Canyonlands Health Care Special Service District
Moab, Utah 84532

Ladies/Gentlemen:

The following comments and recommendations are a result of our review of the accounting procedures and internal controls in connection with our examination of the financial statements of Canyonlands Health Care Special Service District for the year ended December 31, 2006.

Since our review was made primarily to determine the scope of our auditing procedures and was not intended as a comprehensive study or evaluation of the systems and procedures, this memorandum should not be considered all inclusive.

We welcome the opportunity to discuss any items mentioned in this memorandum or any other accounting or procedural questions.

UTAH STATE COMPLIANCE

BUDGETARY COMPLIANCE

Utah Code states that officers and employees of an entity shall not incur expenditures or encumbrances in excess of the total appropriation for any department or fund. The District has expenditures in excess of the budget for the General Fund.

We recommend that the District comply with Utah Code and ensure that expenditures are within the approved budget, adopted by the District's Board.

District's Response

District personnel has made considerable effort in obtaining financial information that is needed to accurately adjust the budget, but items that the auditors recorded at year-end were not considered and therefore, caused the expenditures to exceed the authorized budget. We understand the necessity to comply with Utah Code and will consider the new items recorded by the auditors for the next amended budget.

INTERNAL CONTROL

Internal Control – Board Involvement

The board of director's involvement in the receipting, disbursements and safeguarding of assets is very critical, because the District depends on one person to perform the financial processes.

We recommend the board of directors review their involvement in the financial processes and make necessary changes to ensure they are taking a very active roll in the reviewing of transactions and supporting documentation, reviewing bank statement reconciliation's, bank depositing, receipting of funds and other pertinent financial and internal control transactions.

District's Response

The board of directors understands the need to be involved in all aspects of the operations of the District. We have implemented procedures that help minimize the risks of having one person involved in the financial processes. As the board of directors, we will continue to monitor and review the areas that we feel are most critical in our operations. Because we rely on board members, who are not compensated for their services, to perform all functions of the District, we realize the importance of our involvement.

SUMMARY

We feel the State compliance and internal control issues mentioned above are some areas where Canyonlands Health Care Special Service District can make changes so as to further improve its internal control structure to safeguard the assets, check the accuracy and reliability of accounting data and promote operating efficiency.

Sincerely,

SMUIN, RICH & MARSING



Price, Utah

April 19, 2007